



THRIFT SAVINGS PLAN FINANCIAL HARDSHIP IN-SERVICE WITHDRAWAL PACKAGE

TSP-U-76

GENERAL INFORMATION

Before requesting a financial hardship in-service withdrawal from your uniformed services TSP account, read the information and instructions in this package. You should also read the booklet *TSP In-Service Withdrawals*; it provides more detailed information about withdrawing money from your uniformed services TSP account, including tax consequences, spouses' rights, and the termination of your contributions. It also explains the information and documentation you must provide to support your request.

Note: If you are in pay status and are eligible for a TSP loan, you may want to consider taking a loan rather than a withdrawal. However, reservists need to consider the amount of their monthly pay and whether or not they will be able to repay a loan.

QUALIFYING FOR A FINANCIAL HARDSHIP IN-SERVICE WITHDRAWAL

To qualify for a financial hardship withdrawal from your uniformed services TSP account:

- You must currently be a member of the uniformed services. (This includes members who are in approved nonpay status.)
- Your TSP account must contain at least \$1,000 of your own contributions and earnings on those contributions. (You cannot request to withdraw less than \$1,000.)
- You must demonstrate financial hardship for the amount you request.
- You cannot have received a financial hardship in-service withdrawal within 6 months of the time your current request is processed.
- You cannot have a pending application for an age-based in-service withdrawal or a TSP loan from your uniformed services account.

The determination of financial hardship is based on your having regular monthly expenses in excess of net income (i.e., negative cash flow) and/or certain **unpaid and unreimbursable** extraordinary expenses. Extraordinary expenses are limited to four types: household improvements needed for medical care, personal casualty loss, legal expenses for separation/divorce, and medical expenses. Note: You are not eligible for a financial hardship withdrawal if you are in Chapter 13 bankruptcy, because the bankruptcy court has shielded you against a negative cash flow position.

When the TSP receives your application, it will determine whether you qualify for a financial hardship withdrawal and the amount for which you qualify. If the TSP determines that you qualify for a withdrawal of at least \$1,000 — but for an amount that is less than you requested — the TSP will send you the amount for which you qualify, **even if it is substantially less** than the amount you requested. If you do not qualify, the TSP will notify you by mail.

TERMINATING YOUR CONTRIBUTIONS

When your financial hardship in-service withdrawal is made, the TSP will instruct your service to terminate your contributions (if any) for 6 months. (If you are eligible to receive matching contributions from your service, these contributions will also stop). At the end of this 6-month period, you can ask your service to resume your contributions — they will **not** resume automatically.

TAX WITHHOLDING ON YOUR PAYMENT

The Internal Revenue Service (IRS) generally considers financial hardship withdrawals to be "non-periodic payments" for Federal income tax purposes. However, your uniformed services TSP account may include tax-exempt contributions from combat zone pay (i.e., money that is never subject to Federal income tax). If so, the percentage of taxable and tax-exempt payments in your financial hardship in-service withdrawal will be based on the proportion of taxable and tax-exempt balances in your account at the time the distribution is made. The TSP will withhold 10% from the taxable portion unless you waive or request additional tax withholding by submitting IRS Form W-4P, Withholding Certificate for Pension or Annuity Payments, with this application. Form W-4P is available through the TSP Web site (www.tsp.gov), from the TSP Service Office, and from the IRS. See the attached tax notice "Important Tax Information About TSP In-Service Withdrawal Payments."

WHERE YOUR PAYMENT WILL BE SENT

Payment and correspondence related to your in-service withdrawal will be mailed to the address in your uniformed services TSP account record. If your uniformed services TSP account address is not correct, contact your service TSP representative immediately to ensure that your service provides your correct address to the TSP. The TSP cannot use the address that you provide on your in-service withdrawal request to change your TSP account address or to mail your check.

WHAT YOU WILL NEED TO APPLY

Form TSP-U-76, Financial Hardship In-Service Withdrawal Request	Complete this application.
Financial Hardship Worksheet	Use the Worksheet to help determine the amount for which you qualify.
Important Tax Information About TSP In-Service Withdrawal Payments	Read this notice to understand the tax consequences of your withdrawal.

You must include with your Form TSP-U-76:

- A copy of your **current** leave and earnings statement (even if you are in nonpay status).
- Supporting documentation if your request for a withdrawal includes extraordinary expenses.

Make a copy of the completed documents for your records. Mail the originals to: **TSP Service Office, National Finance Center, P.O. Box 61500, New Orleans, LA 70161-1500.**

Information and Instructions

I. INFORMATION ABOUT YOU

1 – 8: Payment and correspondence related to your in-service withdrawal will be mailed to the address in your uniformed services TSP account record. If you have a new address, contact your service TSP representative **immediately** to ensure that your correct address is provided to the TSP.

9: Attach a copy of your **leave and earnings statement** and check this box. The statement must be for your **most recent pay date** at the time you send in your request, and the pay date can be no more than 45 days before the date the TSP receives your Form TSP-U-76. You must attach your leave and earnings statement even if you are in nonpay status; the statement is required to confirm that you received no pay for this period.

II. WITHDRAWAL REQUEST

10: You may withdraw only your own contributions and earnings. You may not request less than \$1,000. The maximum amount that you can withdraw depends on the amount of your documented financial hardship and the amount that is available in your uniformed services account for a withdrawal.

Use the Financial Hardship Worksheet to help you calculate the amount of your financial hardship based on the information you provide in Sections V and VI of the application (Financial Statement and Extraordinary Expenses). Complete the Worksheet before you enter an amount in **Item 10** so that you do not request more than you have documented.

Do not submit the Worksheet with your application. The TSP will calculate the actual amount for which you qualify based on your Financial Statement, your current leave and earnings statement, your supporting documentation for any extraordinary expenses, and the value of your TSP employee contributions and attributable earnings.

If you qualify for at least \$1,000 but less than the full amount that you requested, the TSP will send you the amount for which you qualify, even if it is substantially less than the amount you requested.

III. and IV. SPOUSAL INFORMATION AND CONSENT

Spouses' rights apply to all in-service withdrawal requests. If you are married, this means that your spouse must consent to your in-service withdrawal.

11 – 16: You must complete **Item 11**, and if married, provide the requested information in **Items 12 – 16**. If you do not complete **Item 11** (and if married, **Item 12**), the TSP will not be able to process your request.

17 – 19: Spouse's consent. To provide consent to the in-service withdrawal, your spouse must sign and date **Items 17 and 18**. If you cannot obtain your spouse's signature because his or her whereabouts are unknown or you believe that exceptional circumstances apply, check **Item 19** and submit Form TSP-U-16, Exception to Spousal Requirements, with the required documentation.



THRIFT SAVINGS PLAN

FINANCIAL HARDSHIP IN-SERVICE WITHDRAWAL REQUEST

TSP-U-76

Read the instructions carefully. In order to be eligible for a financial hardship withdrawal, you must currently be a member of the uniformed services, you must have at least \$1,000 of your own contributions and attributable earnings in your account, and you must be able to demonstrate the need for a financial hardship withdrawal. You must also provide a current leave and earnings statement and supporting documentation for any extraordinary expenses you list on this application.

I. INFORMATION ABOUT YOU

1. Name _____
Last First Middle
2. _____ - _____ - _____ 3. ____/____/____ 4. (____) ____ - ____
Social Security Number Date of Birth (mm/dd/yyyy) Daytime Phone (Area Code and Number)
5. Address _____
Street address or box number
6. City _____ 7. _____ 8. _____
State/Country Zip Code
9. ☐ Check here to indicate that you have attached a copy of your current leave and earnings statement.

II. WITHDRAWAL REQUEST

Enter the **dollar amount** of your request **after** you have completed Section V (Financial Statement), Section VI (Extraordinary Expenses), and the Worksheet, which will help you calculate the amount of financial hardship for which you qualify. If you are not eligible for the full amount you request, the TSP will disburse the maximum amount for which you qualify, even if it is substantially less than your request.

10. Amount of withdrawal you are requesting: \$ _____
(Must be \$1,000 or more)

III. SPOUSAL INFORMATION

11. Are you married (even if separated from your spouse)?
☐ Yes (Complete this section.) ☐ No (Skip to Section V.)
12. Spouse's Name _____
Last First Middle
13. Spouse's Address _____
Street address or box number (If same as yours, write "SAME.")
14. City _____ 15. _____ 16. _____
State/Country Zip Code

IV. SPOUSE'S CONSENT

Married
participants
only

If you are married, your spouse must give consent before you can make a financial hardship in-service withdrawal.

Spouse's Consent: By signing below, I give my consent to this financial hardship in-service withdrawal from my spouse's uniformed services Thrift Savings Plan account.

17. _____ 18. _____
Spouse's Signature Date Signed (mm/dd/yyyy)
19. ☐ Check here if you cannot obtain your spouse's signature. (See instructions.)

**V.
FINANCIAL
STATEMENT**

Complete each item, rounding to the nearest dollar. If you have no income, deductions, or expenses for a particular item, enter 0.

This form requests information about you, your spouse, and your dependents. Dependents are defined as individuals whom you can claim as dependents for Federal income tax purposes at the time you apply for the hardship withdrawal.

If you are married and not separated from your spouse, report income for both yourself and your spouse. If information cannot be assigned to you or your spouse individually, enter the total only. If you are separated from your spouse, report only your own income and your own household expenses.

20: Family Size. Family size includes you, your spouse, and your dependents. If you are separated or divorced, it includes you and your dependents **only if** your dependents are living with you. If your dependents are living elsewhere and you contribute to their support, do not include them in family size but include in **Item 39** the amount of support you pay. If children you cannot claim as dependents are living with you and you receive support for them, include them in family size and enter the amount of support you receive in **Item 30**.

Alternatively, if you are living away from your family on extended temporary duty, include them in family size and add together your and your family's expenses.

MONTHLY INCOME

If you are in nonpay status, enter 0 in your column for **Items 21 – 29**. (The leave and earnings statement you are required to submit for your most recent pay date must confirm that you received no pay for that pay period.) If your spouse is not employed or is in nonpay status at the time you are completing the application, enter 0 in your spouse's column.

21: Gross monthly pay. Enter the gross total of your monthly base pay plus your monthly uniformed services allowances (e.g., housing, subsistence, etc.) from your leave and earnings statement. Also add any incentive pay or special pay you are receiving. If you are a reservist, enter your reservist income from your current leave and earnings statement here. If your spouse is employed, enter your spouse's primary income here. Use **Item 31** to enter income from any other employment for each of you. If needed, use the following calculations to determine the monthly income.

- **If your spouse is paid weekly (52 times a year),** multiply the weekly amount from your spouse's current pay statement by 52 and divide by 12.
- **If your spouse is paid biweekly (26 times a year),** multiply the biweekly amount from your spouse's current pay statement by 26 and divide by 12.
- **If your spouse is paid semimonthly (24 times a**

year), add the amounts from your spouse's last two pay statements.

- **If your spouse is paid monthly (12 times a year),** use the amount shown on your spouse's current pay statement.

Deductions from Income

If needed, calculate monthly amounts as explained in the instructions for **Item 21**.

Enter only the deductions from the gross monthly pay used in **Item 21** for you and your spouse.

22 – 24: Monthly Federal, state, and local income tax withholding. Enter the amount of monthly tax withholding for each.

25: Monthly OASDI (Social Security)/Medicare. Enter the monthly OASDI (Social Security)/Medicare deduction.

26: Monthly Federal retirement deduction (spouse only). If your spouse is a Federal civilian employee, enter your spouse's monthly amount withheld for the FERS Basic Annuity or for the CSRS annuity.

27: Monthly TSP contributions (spouse only). If your spouse is a participant in the TSP, enter your spouse's monthly TSP contributions. Do not include your own.

28: Other monthly retirement plan deductions (spouse only). If your spouse's primary income is from a non-Federal job, enter his or her monthly retirement plan deduction.

29: Total deductions. Add all the entries in the Total column for **Items 22 – 28**.

Additions to Income

If necessary, calculate monthly amounts as explained in the instructions for **Item 21**.

30: Monthly alimony, maintenance, and/or child support. Enter the amount received each month. If payments are irregular, enter the average of the last 3 months.

31: Other monthly income. Enter any other **net** income. If this TSP account is a result of your status as a reservist, enter your net monthly income from your regular employment (i.e., Federal Government or other civilian job). Calculate the net monthly income for you and your spouse. To get the net amount, subtract from the gross amount the same types of deductions from income as shown in **Items 22 – 28**. Also include royalties and net income from real estate investments and a family business (i.e., monthly cash income minus monthly cash outlays). If net income is negative, enter a minus sign and subtract it when you total the additions to your income in **Item 32**.

32: Total additions to income. Add **Items 30** and **31**.

33: TOTAL NET MONTHLY INCOME. For each column, subtract the amount of **Item 29** from the amount of **Item 21** and add **Item 32**.

Name:

Social Security Number:

**V.
FINANCIAL
STATEMENT**

Please read the instructions carefully before completing this section.

20. FAMILY SIZE as defined in the instructions ◀**MONTHLY INCOME****21. Gross monthly pay**

	You	Your Spouse	Total
	_____	_____	_____

Deductions from Income**22. Monthly Federal income tax withholding**

_____	+	_____	=	_____
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23. Monthly state income tax withholding

_____	+	_____	=	_____
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24. Monthly local income tax withholding

_____	+	_____	=	_____
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25. Monthly OASDI (Social Security)/Medicare

_____	+	_____	=	_____
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**26. Monthly Federal retirement deduction (FERS/CSRS)
(spouse only)**

_____		_____	=	_____
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27. Monthly TSP contributions (spouse only)

_____		_____	=	_____
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28. Other monthly retirement plan deductions (spouse only)

_____		_____	=	_____
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29. Total deductions from income *(Add Items 22 – 28)*

_____	+	_____	=	_____
-------	---	-------	---	-------

Additions to Income**30. Monthly alimony, maintenance, and/or child support**

_____	+	_____	=	_____
-------	---	-------	---	-------

31. Other monthly income as defined in the instructions

_____	+	_____	=	_____
-------	---	-------	---	-------

32. Total additions to income *(Add Items 30 and 31)*

_____	+	_____	=	_____
-------	---	-------	---	-------

33. TOTAL NET MONTHLY INCOME*(Item 21 minus Item 29 plus Item 32)*

_____	+	_____	=	_____
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◀

Detach here

**V.
FINANCIAL
STATEMENT
(Continued)**

**MONTHLY SCHEDULED
HOUSEHOLD EXPENSES**

- 34: Monthly household rent/mortgage payment.** Enter your monthly rent or mortgage payment for your **primary** residence. If your payment includes real estate taxes and homeowner's or renter's insurance, include them here and enter 0 in **Items 35 and 36**. If additional mortgages are outstanding on your primary residence, also include those payments. Do not include payments for TSP residential loans. If you are living in military housing, enter 0 for **Items 34 and 35**.
- 35: Monthly household real estate tax.** If you pay your real estate tax separately from your mortgage payment, enter an amount representing one month's real estate tax for your primary residence.
- 36: Monthly household homeowner's or renter's insurance.** If paid separately from your rent or mortgage, enter the monthly insurance amount for your primary residence.
- 37: Monthly household utilities.** Enter your total monthly payments for utilities (e.g., gas, electric, phone, water). Do not list items included in your rent or military housing. (If your monthly utility bills vary substantially, use your average monthly bills over 12 months.)

38: Monthly household dependent care. Enter the amount you pay each month for care for a dependent child, or for your spouse or another dependent adult who cannot be left alone while other adults are at work. Include household help needed due to illness or injury.

39: Monthly expense for alimony, maintenance, and/or child support. Enter the amount you pay each month.

40: Monthly installment loan payments. Enter name of lender, outstanding balance, and monthly payment amount for loans with set monthly payments **only** (e.g., automobile loans, unsecured bank loans, or schedule of payments for back taxes owed). **Do not include payments for TSP loans.** Do not include past due payments or **payments for credit card purchases, charge accounts, or interest charges on them.** (The TSP takes credit card payments and other recurring expenses into account as a function of your monthly income and family size.) Do not include payments for the monthly scheduled household expenses listed in **Items 34 – 39**.

41: TOTAL MONTHLY SCHEDULED HOUSEHOLD EXPENSES. Add all the entries in **Items 34 – 40**.

**VI.
EXTRAORDINARY
EXPENSES**

Extraordinary expenses must be **unpaid and unreimbursable** (by insurance or otherwise). Only the four types of expenses described below are allowed. You **must** submit supporting documentation showing that you have incurred (but not paid) the specific expense, or that you will incur it within the next 6 months. For incurred expenses, provide a copy of a bill on the service provider's letterhead, itemizing the expenses. For expenses that will be incurred, provide an itemized cost estimate on the service provider's letterhead and a statement signed by you indicating the amount of those expenses to be incurred within the next 6 months. Supporting documentation must be dated no more than 45 days **before** the date the TSP receives your Form TSP-U-76.

You must read the booklet *TSP In-Service Withdrawals* for documentation requirements and examples. **Failure to submit adequate supporting documentation may result in a withdrawal amount smaller than you requested.**

42: Costs of household improvements needed for medical care — Limited to costs that are eligible for deduction on your Federal income tax return, but without the IRS limits on income or fair market value. Examples are changes to your living quarters or installation of special equipment required because of illness or injury. The improvements may be for you,

your spouse, or your dependent (i.e., an individual you can claim as a dependent for Federal income tax purposes at this time).

43: Expenses due to personal casualty loss — Limited to costs of repair and replacement associated with losses that are eligible for deduction on your Federal income tax return, but without the IRS limits on income or fair market value (e.g., sudden property loss resulting from damage or destruction by fire, storm, or other casualty, or due to theft).

44: Legal costs associated with your separation or divorce — Limited to attorney fees and court costs, **not** alimony or child support payments or settlements you must pay your former spouse.

45: Medical expenses — May be incurred by you, your spouse, or your dependents (i.e., individuals you can claim as dependents for Federal income tax purposes at the time you request the withdrawal). Generally, these include the expenses that are eligible for deduction on your Federal income tax return, but without the IRS income limits. This includes physician and hospital services and prescription drugs; it does **not** include medical or dental insurance premiums or costs covered under **Item 42**.

46: TOTAL EXTRAORDINARY EXPENSES. Add **Items 42 – 45**.

**VII.
YOUR
ACKNOWLEDGE-
MENT AND
CERTIFICATION**

Read the acknowledgement and certification carefully. By signing this section you are:

- Acknowledging that your contributions, if any, (and any matching contributions, if applicable) will be **terminated for 6 months** after your financial hardship withdrawal has been paid.

- Certifying you are not in Chapter 13 bankruptcy.
- Permitting the TSP to contact individuals or institutions shown on this form or in supporting documentation to confirm amounts listed.

Name:

Social Security Number:

**V.
FINANCIAL
STATEMENT
(Continued)**

MONTHLY SCHEDULED HOUSEHOLD EXPENSES

- | | | |
|--------------------------------------------------------------------------------------------------------|-------|-----|
| 34. Monthly household rent or mortgage payment | _____ | .00 |
| 35. Monthly household real estate tax <i>(if paid separately from mortgage)</i> | _____ | .00 |
| 36. Monthly household homeowner's or renter's insurance <i>(if paid separately)</i> | _____ | .00 |
| 37. Monthly household utilities <i>(if paid separately from rent)</i> | _____ | .00 |
| 38. Monthly household dependent care <i>(including household help due to illness or injury)</i> | _____ | .00 |
| 39. Monthly expense for alimony, maintenance, and/or child support | _____ | .00 |
| 40. Monthly installment loan payments <i>(not including credit card payments)</i> | _____ | .00 |

Lender's Name	Outstanding Balance	Monthly Payment
_____	_____	.00
_____	_____	.00
_____	_____	.00
_____	_____	.00
_____	_____	.00

41. TOTAL MONTHLY SCHEDULED HOUSEHOLD EXPENSES *(Add Items 34 – 40)* .00 ◀

**VI.
EXTRAORDINARY
EXPENSES**

Extraordinary expenses are limited to the four types shown in Items 42 – 45, as defined in the instructions. You **must** enclose supporting documentation for the amounts you indicate in this section. (See the booklet *TSP In-Service Withdrawals*.) Show only expenses that are **unpaid and unreimbursable** by insurance or otherwise.

- | | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------|-------|-------|
| 42. Costs of household improvements needed for medical care | _____ | .00 |
| 43. Expenses resulting from personal casualty loss | _____ | .00 |
| 44. Legal expenses for separation/divorce (does not include court-ordered payments to a spouse or former spouse, or child support payments) | _____ | .00 |
| 45. Medical expenses | _____ | .00 |
| 46. TOTAL EXTRAORDINARY EXPENSES <i>(Add Items 42 – 45)</i> | _____ | .00 ◀ |

**VII.
YOUR
ACKNOWLEDGE-
MENT AND
CERTIFICATION**

The TSP will notify your service that your contributions, if any, must be terminated after your withdrawal is paid. This means matching contributions from your service, if you are eligible for them, will also stop. You may ask your service to resume your contributions after 6 months.

The TSP may contact individuals or institutions shown on this form or in supporting documentation to confirm any amounts listed.

I agree to these conditions for a financial hardship withdrawal. I certify that I am not in Chapter 13 bankruptcy and that the information I have provided in this withdrawal request and supporting documentation is true to the best of my knowledge. **Warning:** Any intentional false statement in this application or willful misrepresentation concerning it is a violation of law that is punishable by a fine of as much as \$10,000 or imprisonment for as long as 5 years, or both (18 U.S.C. 1001).

47. _____ Participant's Signature	48. _____ Date Signed (mm/dd/yyyy)
---------------------------------------------	----------------------------------------------

PRIVACY ACT NOTICE. We are authorized to request this information under 5 U.S.C. chapter 84. Executive Order 9397 authorizes us to ask for your Social Security number, which will be used to identify your uniformed services TSP account. We will use the information you provide to process your in-service withdrawal request. This information may be shared with other Federal agencies or the uniformed services for statistical, auditing, or archiving purposes. In addition, we may share the information with law en-

forcement agencies investigating a violation of civil, criminal, or military law, or agencies implementing a statute, rule, or order. It may be shared with congressional offices, private sector audit firms, spouses, former spouses, and beneficiaries, and their attorneys. We may also disclose relevant portions of the information to appropriate parties engaged in litigation. You are not required by law to provide this information, but if you do not provide it, we will not be able to process your request.

Financial Hardship Worksheet

Complete this Worksheet to calculate the amount of your financial hardship. Refer to the Financial Statement and the Extraordinary Expenses sections (V and VI) of your Form TSP-U-76 for the **numbered items** in this Worksheet. The TSP will calculate the actual amount of the hardship withdrawal for which you qualify based on the information you provided in Sections V and VI (including the supporting documentation), your leave and earnings statement, and the value of your TSP employee contributions and attributable earnings.



TO DETERMINE YOUR HARDSHIP AMOUNT DUE TO NEGATIVE CASH FLOW:

A. Total monthly income: Complete calculation **I or II** below, depending on your current pay status, to determine ordinary monthly household expenses. For those in nonpay status, even though you are receiving no pay currently, you must use your annual base pay for the calculation.

I. If in Nonpay Status:

1. Annual base pay from most recent leave and earnings statement _____
2. Divide Line 1 by 12 months _____
3. Item 21 _____
4. Item 32 _____
5. Add Lines 2, 3, and 4; enter result on Line A. _____

II. If in Pay Status:

1. Item 21 _____
2. Item 32 _____
3. Add Lines 1 and 2; enter result on Line A. _____

A

B. Allowance for ordinary monthly household expenses:

This covers ordinary monthly recurring expenses (e.g., food, clothing, household operations, entertainment, education, health insurance premiums, miscellaneous expenses), including expenses frequently charged to credit cards. The allowance is based on your monthly income and family size. Using the table, find the factor for your total monthly income (**Line A**) and your family size (**Item 20** of your Financial Statement). Enter that factor and multiply it by the amount of your total monthly income (**Line A**). Round to the nearest whole dollar.

Total Monthly Income

Family Size

	1 or 2	3 or 4	5 or more
Less than \$1,250	.85	.90	.90
\$1,250 – 1,666	.70	.80	.80
\$1,667 – 2,499	.60	.65	.70
\$2,500 – 3,332	.50	.55	.60
\$3,333 – 4,166	.40	.50	.50
\$4,167 – 5,832	.40	.45	.50
\$5,833 or more	.30	.35	.40

$$\text{Factor} \times \text{Line A} = \text{B}$$

B

C. Total monthly scheduled household expenses: Item 41.

C

D. Total monthly household expenses: Line B plus Line C.

$$B + C = D$$

D

E. Total net monthly income: Item 33.

E

F. Amount by which your household expenses exceed your net monthly income: Line D minus Line E (if Line D is less than Line E, enter 0).

$$D - E = F$$

F

G. Hardship amount due to negative cash flow for 6 months: Line F times 6.

$$\text{Line F} \times 6 = \text{G}$$

G



TO DETERMINE YOUR HARDSHIP AMOUNT DUE TO EXTRAORDINARY EXPENSES:

H. Amount by which your net monthly income exceeds your household expenses: Line E minus Line D (if Line E is less than Line D, enter 0).

$$E - D = H$$

H

I. Positive cash flow available for extraordinary expenses for 6 months: Line H times 6.

$$\text{Line H} \times 6 = \text{I}$$

I

J. Extraordinary expenses: Item 46.

J

K. Hardship amount due to extraordinary expenses: Line J minus Line I (if Line J is less than Line I, enter 0).

$$J - I = K$$

K



TO CALCULATE YOUR TOTAL HARDSHIP AMOUNT:

L. Hardship amount due to negative cash flow: Line G.

$$G = L$$

M. Hardship amount due to extraordinary expenses: Line K.

$$K = M$$

N. Line L plus Line M. The amount of your withdrawal request in Item 10 should not exceed this amount. If this amount is less than \$1,000, you do not qualify for a hardship withdrawal.



Important Tax Information About TSP In-Service Withdrawal Payments

Except as noted below, amounts paid to you from your Thrift Savings Plan (TSP) account are taxable income to you for Federal income tax purposes in the year in which payment is made. This notice summarizes the tax rules that apply to TSP in-service withdrawals, i.e., age-based (age 59½ or older) and financial hardship withdrawals. To see how these tax rules apply to your TSP payment, **read this notice carefully.**

We are required by law to provide you with this notice; however, because tax rules are complex, you may wish to consult a tax advisor before you make any decision.

Special Note for Uniformed Services Accounts

TSP accounts for members of the uniformed services may include contributions from combat zone pay. Combat zone pay is exempt from Federal income taxes; therefore, TSP contributions from combat zone pay are also exempt from Federal income taxes when they are disbursed from a uniformed services TSP account. (This is not true for the earnings attributable to contributions from combat zone pay; such earnings are taxable when they are disbursed from the TSP account.)

The TSP will make all payments from a uniformed services account on a *pro rata* basis from both taxable and tax-exempt balances. A payment made from a uniformed services TSP account will therefore include taxable and tax-exempt balances **if the account includes contributions from combat zone pay.** The IRS Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc., which the TSP provides you, will separately state the total amount of your distribution and the amount of your taxable distribution. (*See Section 3 of this notice.*)

Unless otherwise noted, the following discussion applies only to the taxable portion of an in-service withdrawal.

1. Tax Withholding

Age-Based Withdrawals

Age-based in-service withdrawals are the only TSP payments made to participants before they separate from Federal service or the uniformed services which are considered **eligible rollover distributions**, and the following Federal income tax withholding rules apply.

(The TSP does not withhold amounts for state or local income tax.)

- The mandatory tax withholding on all eligible rollover distributions of \$200 or more paid in a single year is 20%. The 20% is tax withholding, not actual tax due; therefore, when you file your annual Federal income tax return, you may be entitled to a refund of a portion of this amount, or you may be required to pay an additional amount.
- You can avoid withholding on all or any portion of your eligible rollover distribution by asking the TSP to transfer that amount to an individual retirement account (IRA) (other than a “Roth” IRA) or other eligible retirement plan.¹ However, you **cannot** avoid the mandatory 20% withholding on any amount that you elect to receive directly, even if you then roll it over to an IRA or other eligible retirement plan. (*See Section 2 of this notice.*)
- You may elect to have an amount withheld in addition to the 20% withholding by completing Line 3 of IRS Form W-4P, Withholding Certificate for Pension or Annuity Payments, and submitting it to the TSP Service Office along with your in-service withdrawal request. Line 1 and Line 2 are not valid elections for this type of payment.

Financial Hardship Withdrawals

A financial hardship in-service withdrawal is a **non-periodic payment** and cannot be transferred or rolled over to an IRA or other eligible retirement plan. The TSP will withhold 10% for Federal income tax from these payments unless the TSP Service Office receives from you IRS Form W-4P, Withholding Certificate for Pension or Annuity Payments. If you submit Form W-4P, you may elect:

- to have no Federal income tax withheld, by completing Line 1 of Form W-4P; or

¹ Eligible retirement plan means a plan defined at 26 U.S.C. § 402(c)(8). Generally, an eligible retirement plan is an individual retirement account (IRA) or an individual retirement annuity (other than an endowment contract); a qualified pension, profit-sharing, or stock bonus plan; an annuity plan described in 26 U.S.C. § 403(a); an annuity contract described in 26 U.S.C. § 403(b); or an eligible deferred compensation plan described in 26 U.S.C. § 457(b). The IRA or other eligible retirement plan to which a payment from the TSP can be transferred must be a trust established inside the United States (i.e., the 50 States and the District of Columbia).

- to have an amount withheld in addition to the 10%, by completing Line 3 of Form W-4P.

Note: Line 2 of Form W-4P is not a valid election for this type of distribution.

2. Transferring or Rolling Over Your Age-Based In-Service Withdrawal

All or any tax-deferred part of your age-based in-service withdrawal can either be transferred or rolled over to an IRA (other than a “Roth” IRA) or other eligible retirement plan. This permits you to postpone paying tax on that amount until you withdraw the money from the IRA or plan. However, distributions from the plan to which the transfer or rollover is made may be subject to different restrictions and tax consequences from those that apply to distributions from the TSP.

A **transfer** occurs when you instruct the TSP to send all or part of your distribution directly to an IRA or other eligible retirement plan instead of issuing it directly to you. Mandatory 20% Federal income tax withholding does not apply to an amount that the TSP transfers directly to an IRA or other eligible retirement plan; **however, it does apply to any payment made to you, even if you then roll it over.**

A **rollover** occurs when the TSP makes a distribution to you (which includes the amount of the payment you receive plus the amount of tax withheld) and you deposit any part of that distribution into an IRA or other eligible retirement plan within 60 days of the date you receive it.

In deciding whether to choose a transfer or a rollover, you should consider the following:

- You must pay Federal income tax on any part of the payment that you do not transfer or roll over.
- Because all eligible rollover distributions of \$200 or more made directly to you are subject to mandatory 20% withholding, you must pay Federal income tax on the amount withheld for taxes — even if you roll over the amount you receive — unless you deposit personal funds into your IRA or other plan equal to the amount withheld. (If you do this, you may receive a refund of taxes withheld, but you cannot wait until you receive a refund of the withheld amount to complete a rollover.)

Therefore, if you do not want to use personal funds to make up the amount withheld, you should choose to have the TSP transfer your account to your IRA or other plan directly, instead of rolling it over to your IRA or other plan yourself.

Special note for uniformed services accounts. Tax-exempt balances (i.e., contributions from combat zone pay) may also be transferred from the TSP to a qualified pension, profit-sharing, or stock bonus plan, or transferred or rolled over to an IRA, **but only if** the IRA or plan certifies that it will accept tax-exempt balances. If the IRA or plan does not accept tax-exempt balances, the tax-exempt portion of the transfer will be removed from the amount that is being transferred and will be paid directly to you. Tax-exempt balances are **not** eligible for a rollover into a plan other than an IRA, nor are they eligible for a rollover (or transfer) into a civilian TSP account.

3. Tax Reporting

The TSP will report to the IRS all payments that are made directly to you, as well as all transfers made to IRAs or other eligible retirement plans. The TSP will also report TSP payments and transfers to the state in which your TSP account record shows you resided (or, for members of the uniformed services, your state of legal residence as reported by your payroll office) at the time payment was made, if that state has an income tax.

In January of the year that follows your payment, the TSP will send you IRS Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc. **Be sure your agency and/or service keeps your TSP account address up to date so that you receive the form and other important information about your account.**

You should include the taxable amount reported on Form 1099-R as income on your individual income tax return for the year in which payment was made. Attach a copy of Form 1099-R to your Federal tax return.

4. Early Withdrawal Penalty Tax

Under the Internal Revenue Code, an early withdrawal penalty tax of 10% is imposed on the amount of an in-service withdrawal payment that you receive directly from the TSP (including any tax withholding) **before you become age 59½**. Thus, if you request a financial hardship withdrawal and are younger than age 59½, the penalty tax will apply to you. The penalty tax is in addition to the ordinary income tax that you pay on TSP payments.

The early withdrawal penalty tax does not apply if you are age 59½ or older when the distribution is made. It also does not apply to TSP distributions used for the payment of medical expenses which would be deductible under the Internal Revenue Code. (*See IRS Form 5329, Additional Taxes Attributable to IRAs, Other Qualified Retirement Plans, Annuities, Modified Endowment Contracts, and MSAs.*)

Special note for uniformed services accounts. The early withdrawal penalty tax does not apply to that portion of your withdrawal which represents contributions from combat zone pay.

5. Ten-Year Tax Option

If the payment you receive from the TSP qualifies as an **eligible lump sum distribution**, you may be able to lower the income tax you pay by using the **10-year tax option**.

An **eligible lump sum distribution** is one in which your total TSP account balance (if you have two accounts, your civilian and uniformed services TSP accounts, including tax-exempt balances, if any) is distributed to you within one tax year (the calendar year, for most taxpayers), regardless of whether this occurs in one or more payments. With the **10-year tax option**, your eligible lump sum distribution is taxed as if it were paid to you over 10 tax years.

The following rules apply to the 10-year tax option:

- The 10-year tax option is available only if you were age 50 before January 1, 1986.
- You must have been an **active participant** in the TSP for at least five years before the year in which your distribution is made. You are considered an active participant during a year if either you or your agency made a contribution to your TSP account during that year.
- You must use the 10-year tax option for all eligible lump sum distributions that you receive in the same tax year. This includes a withdrawal of your entire TSP account after separation and any taxable loan distribution. It also includes an eligible lump sum distribution from any other plan maintained by another employer (but excludes distributions from IRAs).

- You can use the 10-year tax option only once in your lifetime. This means that if you use it in one tax year (e.g., for an age-based in-service withdrawal of your entire TSP account balance), you cannot use it for a distribution received from the TSP or another plan in any subsequent year.
- You must use the tax rates in effect in 1986.
- If you transfer or roll over all or any part of your distribution, you cannot use the 10-year tax option.

You can elect the 10-year tax option by filing IRS Form 4972, Tax on Lump Sum Distributions, with your annual income tax return.

6. Savers Tax Credit

If you participate in the TSP during tax years 2002 through 2006, you may be eligible for a tax credit of up to \$2,000 on your Federal income tax return for each year you contribute to the plan. However, the amount of the tax credit may be offset by any taxable distribution, including an in-service withdrawal payment, paid directly to you from the TSP. This benefit, called the Savers Tax Credit, is available to participants with an adjusted gross income of no more than \$50,000 if married filing jointly, \$37,000 if head of household, or \$25,000 if single or married filing separately. For more information about this tax credit, consult your tax advisor or refer to IRS Publication 533, *Highlights of 2001 Tax Changes*, which is expected to be available in January 2002.

7. TSP Service Office Information

If you have any questions regarding this notice, please contact the TSP Service Office at (504) 255-6000 (TDD: (504) 255-5113) or write to:

TSP Service Office
National Finance Center
P.O. Box 61500
New Orleans, LA 70161-1500